

Kazakhstan Country Partnership Strategy (FY12-FY17) Completion and Learning Review

Date of CPS (FY12-FY17): March 30, 2012 (Report No. 67876-KZ)

Date of CPS Progress and Learning Review: September 26, 2016 (Report No. 108396-KZ)

Period Covered by the Completion and Learning Review: July 1, 2011 to June 30, 2017

I. SUMMARY OF KEY FINDINGS

1. **Kazakhstan's Strategic Plan for Development 2020 formed the strategic underpinning of the CPS three main areas of engagement**, which were: (i) Improving Competitiveness and Fostering Job Creation; (ii) Strengthening Governance and Improving Efficiency in Public Services; and (iii) Ensuring Development is Environmentally Sustainable. The CPS recognized that the program is to be implemented in the context of increasing challenges to the country's medium to long term development prospects, most notably in continuation of stability-oriented macroeconomic policies and in raising non-oil productivity in a competitive environment.

2. **Overall CPS outcome is rated *Moderately Satisfactory***. This rating is based on the assessment of the program's achievements in the areas of the WBG's (IBRD, IFC and MIGA) engagement and against self-evaluation of the CPS Results Matrix, revised through the CPS PLR. Most of the twenty-eight CPS outcomes were either fully or partially achieved.

3. **Overall WBG performance in designing and implementing the CPS is rated *Good***. The program design was relevant to the country's development goals, and supported by a mix of adequate interventions and instruments. Program implementation was flexible, enabling the WBG to respond to shifts in client's priorities as well as to increased needs in the aftermath of the crisis. Total actual IBRD delivery reached \$2.6 billion, while the IFC's portfolio was well diversified and investments reached \$319 million.

II. HIGHLIGHTS OF ASSESSMENT

4. **The CPS Development Outcome rating is *Moderately Satisfactory***. The program was built on three areas of engagement, thirteen strategic objectives and twenty-eight outcomes, as revised in the CPS PLR, of which most were either achieved or partially achieved. The details of the achievements and status of outcomes and indicators, as well as relevant WBG activities are presented in Annex 1.

Table 1. Summary of outcome ratings:

Area of Engagement	No. of Outcomes	Achieved	Mostly Achieved	Partially Achieved	Not Achieved
Competitiveness and Jobs (<i>Moderately Satisfactory</i>)	17	13	0	3	1
Governance and Public Services (<i>Moderately Satisfactory</i>)	6	3	0	2	1
Environmental Sustainability (<i>Moderately Satisfactory</i>)	5	3	0	1	1
Total	28	19	0	6	3
Percentage	100%	68%	0%	21%	11%

5. The following sections provide highlights of the CPS outcomes, grouped under the three areas of engagements and country outcomes supported by the CPS, and describe major WBG activities that contributed to the results.

Area of Engagement 1: Improving Competitiveness and Fostering Job Creation

6. Activities under this Area of Engagement aimed to support progress towards four country development goals, namely: achieving competitiveness through macro-stability and international integration; bolstering human capital; boosting employment in agriculture; and developing infrastructure

connectivity to reduce economic distance. Progress was assessed against seventeen outcomes and, with thirteen outcomes achieved, three partially achieved and one not achieved, the overall outcome of this Area is rated *Moderately Satisfactory*.

Country Outcome supported by CPS: Strengthened fiscal discipline and trade openness/integration

7. **Prudent management of oil revenue** (*Outcome 1*) – The outcome, as set in the CPS for measuring the prudent management of oil revenues, namely the government’s net financial worth/assets, was *achieved*. The Government’s net worth was 17.8 percent of GDP¹ on the average for 2012-2016 (*further details in Annex 1*), thus above the 2012 level of 15.8 percent. During most of the CPS period, the government was applying countercyclical fiscal stimulus measures as a response to the oil-price shock since mid-2014. As a result, the non-oil deficit widened during 2014-17, mainly financed by drawdowns of oil revenue reserves from the oil fund, the National Fund of the Republic of Kazakhstan (NFRK) and was also supported by the FY16 DPL (*see below*). Later, realizing that the oil-price shock is structural rather than cyclical, the government revised the NFRK rule and identified targets for cutting the non-oil fiscal deficit over the medium term.²

8. **The FY16 DPL was a cornerstone of the WBG’s support to the Government in implementing reforms that strengthened the sustainability of the macroeconomic framework.** The US\$1 billion operation was initiated at a time when Kazakhstan was adjusting to the sharp decline in oil prices, and it supported substantive institutional reforms in budget and monetary management. The operation supported improving overall competitiveness of the non-oil economy through several policy actions focused on improving selected aspects of industrial policy, regulatory oversight, competition policy, and state-owned enterprises’ (SOEs) governance. The design built on the rich knowledge base resulting from a series of advisory services under the Joint Economic Research Program (JERP). It is also worth noting that it provided a catalyst for stronger coordination of economic, financial, and institutional reforms at the center of the Government. The Ministry of Finance set up an inter-governmental working group which coordinated and monitored the reform program supported by the operation.³

Country Outcome supported by CPS: Expanding non-oil sector exports and employment

9. **Improving the regulatory environment** (*Outcome 2*) – This outcome, as measured by the DB ranking, was *achieved*. Kazakhstan has overall maintained solid progress towards improving DB ranking, coming at 36th place in DB2018 (up from 46 in 2011). The recent accomplishments include simplifying and streamlining processes that ease starting a business, construction permitting, trading across borders and resolving insolvency. Over the last year of the CPS, further improvements have been made in the areas of property registration, minority investors protection and contract enforcement. Assistance with business environment reforms provided through JERP facilitated a steady improvement in business entry and exit conditions, the payment of taxes, and the protection of investments rights, improving Kazakhstan’s overall Doing Business rating, and the simplification of the licensing and permits regime. A review of Kazakhstan’s tax policy and administration framework led to the development of a new tax code based on JERP recommendations.

10. **Technology commercialization** (*Outcome 3*) – This outcome, as measured by results of the WBG-supported technology commercialization grants program, was *achieved*. The way the Government engaged with the WBG on a long-term strategy for innovation, placing WBG projects at the core of the national

¹ Government’s net financial assets are measured as a difference between the stock of FX assets of the NFRK and the stock of total government debt at the end of a period.

² The new NFRK rule was adopted in December 2016, with regular (guaranteed) transfers from the NFRK to the budget to be cut gradually from about US\$8 billion to a tenge equivalent of US\$6 billion by 2020 onward. Moreover, to increase budget transparency, the rule introduced a prohibition for any off-budget transfers from the NFRK. The rule also set targets for the non-oil deficit which is planned to be cut to 7 percent of GDP by 2020 and 6 percent by 2025.

³ Although the timespan of the inter-governmental working group was limited to the timeline of the DPL, the group proved to be a very efficient institutional set-up for targeted policy interventions.

innovation strategy, was exemplary, as it helped leverage the use of public resources, increase policy coherence, and maximize the development impact. The Technology Commercialization Project (TCP) exceeded original targets in improving commercial relevance of groups of scientists: all grantees have reached the commercialization results using the scientific research, whereas 40 companies created under TCP reached first sales by the project closing date. The number of patents applications and industrial prototype license agreements significantly exceeds national performance in previous years. Namely, previously (2011 to 2014) the number of PCT applications averaged 20, while TCP alone had 5 PCT agreements approved in 2015 only. The number of patents applications registered per 1,000 researchers at the Eurasian level was 11.2 (in national sciences and engineering, 2014 and 2015,) while TCP's support lead to substantial increase to 18.3 (64 percent increase) for the same scientific fields. In 2014, only 3 industrial prototype license agreements were made in Kazakhstan, whereas TCP-funded projects signed 11 license agreements (8 sold, 3 bought), significantly above the national performance before the project.

11. **Investment in manufacturing, agribusiness and real estate (Outcome 4)** – This outcome, as measured by actual IFC investments, was *achieved*. IFC's engagement with the private sector provided a significant contribution in this area. Investments in manufacturing and agribusiness companies contributed to support about 2,400 direct jobs, half of which for women.

12. **Advisory services on corporate governance provided to the Government and companies (Outcome 5)** – This outcome was *partially achieved*. While the target as to number of companies was not met, IFC provided services on corporate governance to selected companies, contributing to improved decision making and performance, and played a significant role to their access to financing in the amount of U\$ 115 million.

Country Outcome supported by CPS: Re-invigorating financial sector

13. **Reduction of NPLs (Outcome 6)** – This outcome, was *partially achieved*. The specific CPS target of halving the ratio of NPLs from 2012 baseline of 32.6 percent was achieved, with the level of NPLs at 10.7 percent, with the loan provisioning well maintained and at 11.2 percent, as of end-June 2017. However, although the set target was achieved, it is important to note that this was a result of a set of authorities' actions and not of the WBG's program support. Namely, the reduction of NPLs was largely due to a substantial bail-out package channeled via the recapitalization of the state-owned Problem Loans Fund (PLF). Although the authorities have initiated efforts to deal with insufficient capital and large volumes of NPLs in a few of the largest banks, no change in governance of these banks has been envisaged. Unless poor governance practices in the banking sector are addressed, they may lead to further escalation of NPLs in the system.

14. **Investments in and advisory services provided to the financial sector (Outcomes 7 and 8)** – These outcomes, as measured by actual IFC investments and advisory services provided, were *achieved*. The financial sector benefited from IFC's investments in the financial institutions, that helped extend their services to more than 134,000 MSMEs. Also, IFC's advisory services to the microfinance institution, Arnur Credit, contributed to its transformation into a commercially sustainable financial institution, that expanded its outreach to rural areas and doubled its loan portfolio.

Country Outcome supported by CPS: Building skills for employment

15. **Raising quality and relevance of the technical and vocational education (Outcome 9)** – This outcome, as measured by the results of the WBG support provided to technical vocational education (TVE) programs, was *Achieved*. WBG program supported investing into TVE primarily in improving the policy framework and through capacity building of TVE institutions for more efficient delivery of skills. The process of setting occupational standards supported by the TVE Project was an intervention that helped Kazakhstan to transform the system from a supply to a more demand driven one that was reflected in the relevant legislation. As of end June 2017, 91% of TVE programs have been revised with new competency standards, to equip graduates with skills demanded in labor market. The ongoing Skills and Jobs Project

further supports modernization of educational and training standards, and the curriculum toward competency-based modular programs aligned with occupational standards.

Country Outcome supported by CPS: Strengthening knowledge for sustained growth in agriculture

16. **Application of new technologies in agriculture (Outcome 10)** – *Not achieved*. The fact that the planned livestock project did not materialize was part of the reason that the set targets have not been reached. However, technical assistance provided through JERP contributed to the sector as a whole by supporting improvements in efficiency of the governments’ subsidies program, primarily in better targeting and elimination of subsidies that were found to be inefficient.

17. **Investments in agribusiness (Outcome 11)** – This outcome, based on results achieved by actual IFC investments, was *achieved*. IFC’s investment provided to RG Brand food processing company helped improve its risk profile and support over 2,000 direct jobs in 2017. As the company grows its business internationally, it is also expected to support employment.

18. **Food safety program (Outcome 12)** – This outcome, based on results achieved by IFC’s advisory services to companies in implementing food safety standards and practices, was *partially achieved*. In-depth advisory services have been provided by IFC to a food production company, Kazbeef, to implement food safety management systems (good manufacturing practices, good hygiene practices, Hazard Analysis and Critical Control Points (HACCP), and traceability). Nevertheless, it is premature to report results from the adoption of these systems. The project also provided advisory to improve food safety practices of a leading retailer and helped build the capacity of eight suppliers of processed food in partnership with this retailer.

19. **Energy and resource efficiency (Outcome 13)** – This outcome, based on results achieved by IFC’s advisory services, was *achieved*. Taking IFC’s recommendations on board, RG Brand food processing company already saw savings in their water and energy use leading to the avoidance of 236 metric tons of GHG emissions.

Country Outcome supported by CPS: Improving energy transmission to poor areas

20. **Increasing transmission capacity (Outcome 14)** – This outcome has been *Achieved*. Transmission capacity has been increased by about 8 percent and the quality and reliability of power supply in the Almaty region substantially improved. The dramatic, ten-fold drop in frequency and duration of outages provided a significant benefit to households and businesses and reduced constraint to economic growth. An additional outcome is related to the implementing agency, the Kazakhstan Electricity Operating Company KEGOC. Strong implementation of a number of the WBG-financed projects (including in period prior to this CPS) contributed to good reputation of KEGOC as a reliable and financially stable partner, supporting the company to achieve a stable positive credit rating from leading international rating agencies, also attract new investments from international funding institutions.

Country Outcome supported by CPS: Building transport connectivity and lowering costs

21. **Increase transport efficiency (Outcome 15)** – This outcome, as measured by reduction in road-user costs and rate of road crash fatalities, was *achieved*, with 8 and 14 percent reductions (vs the 10 percent target), respectively. The transport projects constitute by far the largest part of the investment lending portfolio, and the key aspects of this engagement are presented in more details in the *Box 1* below.

22. **Investments in railways company (Outcome 16)** – This outcome, as measured by the results of the actual IFC’s investments, was *achieved*. IFC’s equity investments in Eastcomtrans, a private railcar leasing company, helped to fund the company’s expansion program (totaling US\$ 120 million), as well as

to renew and diversify its existing fleet, enhancing the company's sustainability. Despite the significant local currency devaluation, the company managed to grow its sales from US\$ 66.5 million in FY 2012 to US\$ 73.26 in FY 2017.

23. **Advisory services on PPP (Outcome 17)** –This outcome was *achieved*, with IFC providing advisory services to the Ministry of Transport to structure a PPP transaction for the concession of the Almaty Ring Road (BAKAD). The government has been keen to attract private investor through a PPP in the Almaty Ring Road (BAKAD), as this is part of a major modernization effort of Kazakhstan's transport infrastructure and a national priority for the Government. IFC successfully structured the transaction, supported the tender process, as well as, the negotiations between the Government and the preferred bidder which came to commercial closure in February 2018.

Box 1. Support to the Roads Development Agenda

The WBG's embarked on an ambitious agenda to help address a number of challenges in the roads sector, such as: high cost of unsatisfactory road network, low institutional capacity, funding limitation, inefficient management of road assets, inefficient communication with users and lack of coordinated actions on road safety. Trainings were conducted to strengthen capacity of the line Ministry, Committee of Roads (CR), and KazAutoZhol (KAZ) on a number of topics ranging from project management to sector specific aspects of road asset management, e-tolling, road safety. Consultants were mobilized to support CR to manage a massive program of road rehabilitation and construction and share best international practices.

The WBG-supported reform helped KAZ to become a sustainable joint stock company, able to offer competitive salary scales and social benefits, and so attract and retain high-qualified professionals. The program co-financed by the WBG jointly with other IFIs allowed the transfer of technologies that were not available to Kazakhstan before, both in design and construction (eg. state of the art concrete pavements, bridges). The works were initially done by foreign contractors then transferring the knowledge, together with specialized equipment, to the local road construction industry.

The WBG supported development of the Road Asset Management System (RAMS)--a tool to ensure quality, accuracy, and reliability of data on road assets as well as a planning tool to assess future periodic maintenance and rehabilitation needs and assign priorities when the budgets are constrained, using internationally accepted methods. RAMS is currently being finalized and once operational, will help establish the results chain as per the international practice and implement it as prioritized in the Kazakhstan Transport Strategy up to 2020, and manage their road network rationally, economically, and efficiently (define indicators, set targets, link them to result-based budgets).

The understanding of the tolling set-up and technology has advanced with the support from the WBG and EBRD. The WBG is supporting CR and KAZ in the planning and implementation of the e-tolling system on a wide range of emerging and critical topics, including willingness-to-pay, financial modelling, and communication strategy. The government sees revenues from tolled roads as additional support to cover the operation and maintenance cost, therefore it decided to toll up to 25% of the republican network by 2023. Communication with users has improved.

When WBG started support to the roads sector, there was hardly any mechanism to interact with road users. Now, what started as a project website, grew into a website that informs the public on various aspects of the Western Europe -Western China corridor development preparation and implementation, covering procurement, progress of works, grievance redress, and other topics, and covers all sections of the corridor financed by all participating IFIs.

The WBG team designed a Performance Assessment Tool (PAT), with the initial purpose to internally manage a large program of civil works for over a 1,450km of road and evaluate performance against core set of FIDIC standards as well as WBG's requirements. This methodology is now being rolled out gradually to the entire transport portfolio of the WBG worldwide.

Area of Engagement 2: Strengthening Governance and Improving Efficiency in Public Services

24. Activities under this Area of Engagement aimed to support progress towards two country goals: to improve public financial management and fight corruption and to raise efficiency in delivering critical public services. Progress assessment was based on six outcomes, of which three achieved, two partially achieved and one not achieved, and the overall outcome of this Area is rated *Moderately Satisfactory*

Country Outcome supported by CPS: Improving governance

25. **Reducing physical inspections and average customs processing time (Outcome 18)** – This outcome was *achieved*. Physical inspections have been substantially reduced, to 4.9 percent (vs target of 20 percent) as has been the average customs processing time at border posts down to 7 hours (reduced from 71 percent vs targeted 75 percent). Although the drop in the percentage of physical inspections can be partly attributed to the requirements of the Eurasian Customs Union (ECU), the legislation on introducing the risk based post-customs clearance and implementation of the risk management system supported by the Customs Development Project contributed to further decline of physical inspections in 2016-2017. Also, the number of documents required for border and customs clearance for imports were reduced while revenue collected by customs staff increased. While some design shortcomings, implementation hurdles and changing environment did not allow for the project’s full scope to be implemented, recommendations arising from all the efforts remain relevant and to be considered for implementation in future efforts in this area.

Country Outcome supported by CPS: Strengthening budget and accounting institutions.

26. **Increasing efficiency in procurement (Outcome 19)** – This outcome was only *partially achieved*. Notable progress was achieved with the introduction of the new e-Procurement system. In 2016, a total of 123,310 open bidding transactions have been undertaken through this new system, compared to baseline of 25,000 and thus substantially exceeding the CPF target of 20% increase. Also, as of January 2015 the main modules which include e-Tendering and e-Reverse Auction, are fully functional and their use is obligatory for all government agencies. The assessment of the Kazakhstan’s e-Tendering system conducted by the World Bank in 2016 found e-Tendering and e-Reverse Auction compliant for Shopping and National Competitive Bidding (NCB) for procurement of goods. The e-Reverse Auction module can be used for procurement of simple goods (shopping) under the WB-financed projects. Nevertheless, despite these achievements in e-procurement coverage, a high number of single-sourced procurement in SOEs remains an issue.

27. **Improving quality and efficiency through targeted reviews (Outcome 20)** – This outcome was only *partially achieved*. While no public expenditure reviews have been completed during CPS period, a number of ASAs as well as TA tasks were completed through the JERP⁴. These tasks informed the dialogue on a number of aspects that affect public expenditures, intergovernmental fiscal relations, public investment and budget management, models of public service pay reform etc. and are synthesized in the PFR (published in December 2017). Nevertheless, there is an obvious need to initiate sector-specific public expenditure and institutional reviews aiming at identifying gaps and recommendations for improving government spending efficiency and effectiveness.

28. **Improving quality and reliability of statistical data (Outcome 21)** – This outcome, as measured by the results of the standard user satisfaction survey on quality and reliability of statistical data, was

⁴ As a result of Results Based Budgeting JERP task, Kazakhstan introduced a program budgeting structure so that the budget is appropriated according to budget programs, and the strategic plans focused on measurable results. In 2016, strategic plans of all central government agencies were approved in the new format, linking the targets to the objectives, allowing monitoring of progress and even more so assessment of the impact of budget program outcomes on the achievement of strategic objectives. Also, in preparation of the republican budget for 2016-2018, budget programs were consolidated, reducing the number of the programs for central government bodies from 468 to 187.

FY2012 Intergovernmental Fiscal Relations JERP task supported reforms in allocation of targeted development transfers as well as reforms in system of subventions and withdrawals (reviewed, incorporated in legislation and implemented). FY2015 Intergovernmental Fiscal Relations JERP task addressed an urgent issue related to delimitating the areas financed by public investment projects from the republican and local budgets. The Bank’s recommendations on improving methodology of general transfers allocation to sub-national governments, including inter alia practical recommendations on the use of indicators and special coefficients, revenue forecasting methodology, frequency of allocation decisions, transparency and openness of the system, were for the most part accepted and incorporated in the legislation in FY2017.

Achieved. The Strengthening the National Statistical System (KazStat) Project was a relevant and timely intervention that triggered the long-term reform process, and sped up several processes on the ground. It improved efficiency and effectiveness of the national statistical system to provide relevant, timely and reliable data in line with internationally accepted methodology and best practices. The improvements achieved are evidenced by the production and dissemination at lower costs of better quality data in many areas of economic and social statistics. User surveys in past years reflected high level of satisfaction with quality and reliability of statistical data.

Country Outcome supported by CPS: Reforming social protection system

29. **Conditional cash transfers (Outcome 22) – Achieved.** Conditional cash transfers were piloted in three regions, the program grew to cover all regions, except Karaganda Oblast, as of June 1, 2017. Policy support provided through JERP translated into a new employment program and social safety net system with a conditional cash transfer component to improve the balance between the protection and promotion objectives of the Government’s interventions. Advisory support to the development of a new social modernization strategy informs the Government’s evolving program on financing and delivering social services for the accelerated improvement of human capital outcomes.

Country Outcome supported by CPS: Sharpening strategic approach to health reforms

30. **Reduction in population's out-of-pocket health expenditures (Outcome 23) – Not Achieved.** The share of household out-of-pocket expenditure on health exhibited a steadily increasing trend over the CPS period due to the country’s worsening economic situation amidst global economic crisis (2015-2016). However, the Health Sector Technology Transfer and Institutional Reform Project supported key sector reforms, including development of strategic documents, changing the regulatory environment to increase autonomy of health institutions, improving the quality of medical education, and laid foundations for a major health financing reform – introduction of Social Health Insurance.

Area of Engagement 3: Ensuring Development is Environmentally Sustainable

31. Activities under this Area of Engagement aimed to support progress towards the country goal to fight climate change with a cleaner environment. Progress assessment was based on five outcomes, of which three were achieved, one partially achieved and one not achieved, and the overall outcome of this Area is rated *Moderately Satisfactory*.

Country Outcome supported by CPS: Safeguarding the environment

32. **Remediation of high priority industrial waste dumps (Outcome 24) –** This outcome was *achieved*. Through the Ust-Kamenogorsk Environmental Remediation Project, five industrial waste dumps polluting the air and groundwater were remediated, based on an international design focused to ensure that no further contamination of groundwater would take place. Modern laboratory equipment as well as international training was provided to ensure sufficient institutional capacity. Local state laboratories are now capable of analyzing heavy metals and organic compounds in ground and surface water as well as industrial effluents, and have an ongoing monitoring program.

33. **Reforestation and reduction of fire damage (Outcome 25) –** This outcome, as measured by results of the WBG support targeted to the Irtysh Pine Forest reforestation and protection, was *achieved*. The Forest Protection and Reforestation Project was successful in the rehabilitation of forest lands and associated rangelands through its reforestation and planting of the Irtysh Pine Forest and covering of the dry Aral Seabed with vegetation. The project supported participatory approaches that the community

members, forestry employees and officials now consider important for raising and resolving issues around forest management, and a powerful tool to improve governance of the forest sector.

34. **Rehabilitating water supply systems (Outcome 26) – Not Achieved.** The investments that had been designed to support this outcome were delayed due to late start of implementation of the Second Irrigation and Drainage Project, and no results can be reported at CPS closure.

Country Outcome supported by CPS: Raising energy efficiency

35. **Increasing energy savings (Outcome 27) –** This outcome was only *partially achieved*. While the CPS target in terms of GWh saved was not fully achieved due to delays in starting with investments funded through Energy Efficiency Project, it is worth noting that the savings recorded in the first set of bills for the completed objects are about 40% for energy consumption, indicating good progress being achieved.

36. **IFC providing advisory services on renewable energy and energy efficiency at policy and company levels (Outcome 28) –** This outcome was *achieved*. The advisory services helped address legal and regulatory barriers to private investments in renewable energy, and IFC supported negotiations for company level advisory engagements with developers of solar and HPP projects (*detailed in paragraph 37 below and in Annex 1*).

37. **In the area of renewable energy (RE), IFC, in coordination with the IBRD, supported important steps towards opening up the market for private investment in the sector.** This entailed a comprehensive three-phased advisory engagement with the Ministry of Energy. In the period from 2014 to 2016 IFC experts supported the drafting of 11 key laws and regulations, six of which have already been adopted (including the Green Economy Law). IFC also delivered recommendations on the feed-in tariff methodology, mitigation of effects from the *tenge* devaluation, creditworthiness of the RE off-taker (Financial Settlement Center), grid connection procedures and other measures to improve the bankability of RE projects. In parallel, IFC has provided technical assistance to the Ministry of Energy and KEGOC to improve the planning of RE development and facilitating integration of RE in the power system. The market-level (indirect) impact from this policy engagement is estimated at 172 MW of new RE capacity installed since 2013 and \$300 million of investment in RE units that will help avoid almost 200,000 tons of CO2 emissions per year. The program also completed a market entry study for turbine manufacturer Vestas to enter the Kazakh market, directly supported the development of a 24MW solar PV project in Kulan District of Zhambyl Region, and produced a “Renewable Energy Investment Guidebook” that guides developers and investors through Kazakhstan’s RE support framework and permitting/authorization procedures.

III. WORLD BANK GROUP PERFORMANCE

38. **The overall performance of the WBG in designing and implementing the CPS in support of selected country objectives was Good.** As presented in the discussion above and detailed in the results framework (Annex 1), 68 percent (19 out of 28) of the CPS outcomes were fully achieved, while 21 percent (6 outcomes) were partially achieved and 11 percent (3 outcomes) not achieved. This assessment is also based on: (i) continued relevance of the CPS objectives with Kazakhstan’s country development goals, (ii) the proactive and constructive dialogue carried out with key stakeholders, as well as effective mid-course revision to align with the country’s evolving needs and challenges, and to mitigate risks as appropriate; and (iii) effective coordination with other IFIs. The main obstacles to the full achievement of results were: (i) worsening economic outlook, impacting the country’s fiscal policy and (ii) processing and procedural bottlenecks, in particular upstream in the project cycle, that continued to delay effectiveness and thus project implementation.

Design

39. **The CPS objectives remained relevant to Kazakhstan`s development agenda.** The initial CPS objectives were aligned with *Development Strategy 2020* and remain broadly relevant to the long-term strategy *Kazakhstan 2050*. The CPS rightly took a flexible approach to programming, which put it in position to effectively respond to the changing external environment and Client`s demand. The WBG shifted gears quickly to support the Government`s effort in macroeconomic adjustments required at the onset of the large shocks to the economy from 2014 and beyond, including by providing a \$1 billion DPO as well as scaling up the advisory support. The CPS PLR was used appropriately to tighten up some of the outcomes, maintaining a balanced results matrix.

40. **The identification of risks was candid and realistic, and the critical economic and political risks identified in the CPS materialized - yet to some degree not as foreseen.** The euro zone debt crisis and a slow upturn in global growth and trade were seen as potential risks to Kazakhstan's economy at the approval of the CPS program in mid-2012. Both risks materialized, manifesting themselves in the sharp drop in international oil prices two years later, and remained until the end of the CPS. The DPO program as well as the expanded advisory services were adapted accordingly, helping the Government to take important measures towards ensuring medium-term fiscal sustainability. The CPS PLR added the risks of institutional capacity for implementation and sustainability as substantial risks to portfolio implementation, as the program was continuously affected by delays and slowdown in overall implementation pace. This risk had two aspects (both strongly influenced by political will): the first one related to the pace of multi-sectoral and structural reforms and the second one related more narrowly to the performance of the WBG portfolio. Capacity building through the RAS helped some of the aspects of complex reforms implementation and the proactive portfolio management approach led to tackling some of the long-standing systemic issues. Yet, most of the issues persist and follow-on steps towards stronger capacity require careful consideration, from both the Government and the WBG, going forward in designing the new program.

Implementation

41. **New IBRD lending commitments in the CPS period reached US\$2.6 billion.** The original CPS target of US\$2 billion for FY12-17 was revised upwards at the time of the CPS PLR to a total expected US\$4.2 billion. The proposed additional support to regional development corridors (Center-West and Center-South) of about US\$1.6 billion did not materialize (it is, nevertheless worth to note that parts of the planned investments were covered from the Government own financing and savings under the ongoing road projects), and the second DPO in the programmatic series was cancelled. The main reason behind this is related to the escalation of the foreign debt servicing ratio, that resulted from the depreciation of the *tenge*. Combined with the downgrade of Kazakhstan`s sovereign credit rating in early 2015, it led the Government to rethink its debt policy towards substituting domestic debt to foreign debt.

42. **IBRD portfolio has performed overall well during the first years of the CPS, yet with a slowdown of implementation in later part of the CPS period.** At the beginning of the CPS period, the active portfolio comprised 12 projects in total value US\$3.6 billion. Intensive portfolio monitoring resulted in proper detection of problems and actions, mainly restructurings and cancellations, that helped improve performance, as most notably reflected in reduced number of problem projects and improved proactivity at the end of FY17. The overall implementation pace, however, witnessed a slowdown in the mid-point of the CPS, as reflected in the lower disbursement ratio. This resulted mostly from delays in effectiveness⁵ of five

⁵ Due to complicated and lengthy signing and ratification procedures, loan agreements become effective with significant delays. Some of steps in the process take months. For instance, approval of the loan agreement (LA) is required first from the same ministries who participated in and signed the minutes of negotiations (although the LA remains unchanged), and subsequently by Prime Minister's office and Presidential Administration, which may take up to five months. About three months are needed for reconciling the draft resolution to submit the Ratification law to the Parliament, and then the Parliament approval procedure itself may take up to 4 months. Specifically, in case of five projects approved

new operations and subsequent protracted project implementation. The 2016 CPPR produced a 12-point action plan agreed with the Government suggesting concrete action to address such delays, as well as other bottlenecks in projects' implementation. While some of the important steps have already been taken, such as various actions to support more efficient procurement processes, a proposal for amendments of legislation and procedures towards more expedient signing and effectiveness did not result in the actual legislative changes. And finally, the WBG kept particular focus on strengthening client's capacity throughout the implementation of the Program, via day-to-day implementation support as well as through knowledge sharing in numerous regional fiduciary and safeguards forums.

Table 2. Selected IBRD Portfolio Indicators for Kazakhstan (FY12- FY17)

Indicator	FY12	FY13	FY14	FY15	FY16	FY17
Active Projects #	12	12	15	16	17	13
Net Commitments Amt \$m	3,594.12	3,649.02	3,679.22	3,812.39	5,838.25	3,772.43
Disbursement Ratio for IPF only %	23.1	15.9	22.4	19.8	12.0	11.8
Actual Problem Project #	3	3	3	5	7	3
Projects At Risk %	25.0	25.0	20.0	31.3	41.2	23.1
Commitments at Risk %	2.0	4.4	5.6	4.6	6.6	4.7
Proactivity %	66.7	66.7	66.7	100.0	40.0	71.4

43. **The JERP Program expanded during the CPS period and evolved into a RAS program.** The expansion was prompted partly by increased client demand for policy advice and TA during the WBG's response to the macroeconomic crisis and partly by the new Kazakhstan-World Bank Group Partnership Framework Arrangement (PFA) signed in May 2014. As a result, in FY15 the program was fully RAS funded and increased to an annual average of US\$6.4 million. The JERP was anchored in policy analysis, good practice options notes, and brainstorming sessions with high-level officials on a variety of topics where the government needed to form a view. These JERP-induced brainstorming sessions have become a critical platform to share opinions and help the authorities systematically think through issues with substantial analytical support from the Bank. Overall, implementation of the JERP during the CPS period proved to be an important tool for strengthening the partnership and advancing the reform agenda. JERP advisory products were designed to support achieving CPS outcomes, and some key contributions have been noted above. At the same time, the dominating demand-driven nature of the program imposed some limitations on the Bank in defining strategic priorities in its advisory work and dissemination strategies. The effectiveness of Bank assistance was uneven across the engagement areas with a larger focus on the macroeconomic and fiscal areas.

44. **IFC's investment and advisory program remained aligned with the strategy defined in the CPS document and reaffirmed in the CPS PLR.** IFC's program was designed to contribute to the WBG strategy for the country through investments and advisory services in two main priority areas: economic diversification and improved competitiveness and job creation. It is important to highlight that IFC's investments, and through local currency finance options in particular, have been instrumental in supporting private sector in the difficult economic period of 2015/16 when *tenge's* major devaluation occurred. As planned, IFC invested in rail transport, manufacturing, agribusiness, microfinance, and financial institutions including facilitating trade finance. At the initiation of the CPS, IFC put forward a very ambitious target of US\$200-300 million investments annually, provided suitable projects that meet IFC criteria for financial reporting, transparency, and commercial viability could be identified. However, IFC's investments in Kazakhstan during the CPS period have been constrained by: (i) continued dominant role of the public sector in the economy and unrealized privatization plans; (ii) ongoing concerns related to corporate

in second half of the CPS, it took between 11 to 13 months from board approval to effectiveness. As a result, Kazakhstan is the last among ECA countries in terms of the average time required for approved project to become effective.

governance and corruption; (iii) high NPLs in the domestic sector; (iv) reduced demand for non-*tenge* denominated financing as result of devaluation and financial crisis; and (v) availability of government subsidy programs across sectors.

45. **IFC has committed US\$319 million in 16 investments during the CPS period, of which \$87 million was in short term trade finance lines.** These commitments include trade finance guarantees totaling US\$87 million provided to two financial institutions to facilitate export-import operations through the Global Trade Finance Program. Overall, IFC's current outstanding portfolio amounts to US\$110 million including 10 investments in the financial, manufacturing, real estate, transport, and agribusiness sectors. IFC advisory programs delivered impact both on regulatory and company level: (a) built capacity of financial intermediaries, in particular in microfinance with a focus on rural areas; (b) enhanced the investment climate and tax administration; (c) improved corporate governance in local companies; (d) provided advice on renewable energy and energy efficiency to open up new markets, by removing regulatory barriers and providing targeted assistance to first-mover companies; (e) assisted food companies in implementing food safety practices, developing local capacity to promote suppliers' food safety standards, and raising awareness of agribusiness standards; and (f) developed PPP projects, currently in the transport sector. As of June 30, 2017, there are no NPLs in the IFC portfolio in Kazakhstan. Despite of the substantial devaluation of the currency, IFC portfolio quality did not show signs of deterioration and remained profitable throughout the CPS period.

46. **IFC's investment portfolio is well diversified.** The portfolio is more diversified now compared to the beginning of the CPS period, with a greater share in the real sector: at the start of FY11, 71% of committed portfolio was in the financial sector and the rest in manufacturing, agriculture and services. Currently, the financial sector accounts for 38%, the manufacturing, agriculture and services for 42%, and the infrastructure counts for 20% of IFC's portfolio.

47. **During the CPS period, MIGA had three active political risk insurance guarantees in the financial sector.** While the MIGA contracts of guarantee had been signed prior to the CPS period, the operations were ongoing and performed well. MIGA supported a series of shareholder loans from UniCredit Bank Austria to its subsidiary in Kazakhstan, ATF Joint Stock Company. The original contracts were executed during the financial crisis; the shareholder financing provided important capital injections into ATF which allowed it to continue operating and growing its loan portfolio during this difficult period. One of the contracts was terminated in 2013 due to early repayment of the loan, while the other two expired in 2014 upon the scheduled repayment of the underlying loans. MIGA also explored projects under its non-honoring cover for state owned enterprises – these are still under consideration and would potentially be concluded during the upcoming CPS period.

48. **Collaboration and coordination with the other IFIs and international agencies on the ground has been successful.** The Swiss Embassy provided trust funds to the two projects under implementation: Youth Corps Program, focused on promoting young people's community engagement and life skills through a community-based service learning program, especially for vulnerable youth, and Energy Efficiency Project. Collaboration with ADB in coordinating strategies and action in several areas of joint engagement has been very effective, and the joint work on water resources management, utilities and urban infrastructure and services financing facility is particularly noteworthy. The collaboration with the UN Agencies has been ongoing in many areas, including justice sector. The WBG collaborated closely with the WHO in the implementation of the Bank-financed Kazakhstan Health Sector Technology and Institutional Reform Project, including joint participation in the relevant coordination teams and committees. The collaboration with the OECD has been very fruitful, resulting in a number of reviews in the area of early childhood education and care (ECEC), and most recently in ECEC Policy Review Report completed in 2017. Transport is an area where the work goes in parallel rather than jointly with the many IFIs involved:

ADB, EBRD, IDB, JICA (participation along the Western Europe – Western China International Transport Corridor). Both ADB and IDB support the water sect irrigation in particular, and the implementation is in parallel rather than jointly. The overall collaboration was significantly supported by the Partnership Framework Arrangements (PFAs) that the government initiated and signed with the WBG as well as with three other IFIs, as they provided a platform for coordinating and ensuring complementarity between the respective IFIs programs, jointly supporting the reforms agenda.

IV. ALIGNMENT WITH CORPORATE GOALS

49. **While the twin goals of supporting poverty reduction and boosting shared prosperity had not yet been articulated at the time the original CPS was prepared, these objectives were incorporated in the CPS PLR.** Overall, the original CPS objectives were aligned with the broad goal of poverty-reducing growth. This is most notably the case with the projects that supported substantial improvements in various public services. Improvements in quantity and quality of the electricity supply in the Southern region, including dramatic reductions in power interruptions that disproportionately affect the poor, positively affect the region's growth. Projects that focused on education and skills, such as TVE, targeted some of the most vulnerable groups of students and in some of the vulnerable areas. Furthermore, projects addressing safeguarding of the environment, such as Reforestation Project, provided increased employment opportunities, albeit mostly seasonal, for the local population. And finally, the large infrastructure projects supported by the WBG program, such as South-West Roads Project, helped create 30,000 jobs, taken mainly by the local workers from underdeveloped or less privileged regions. The projects prepared at the later stage of the CPS were closely aligned with the twin goals. The DPO supported policies to strengthen macroeconomic sustainability and increase the competitiveness of the non-oil economy. Also, it specifically supported protection of social expenditures and enhancement of social protection envisaged by the Orleu program, and the Government remained committed to mitigating the social impact of the slowdown.

50. **Mainstreaming of citizen engagement in the Kazakhstan portfolio has progressed significantly over the CPS period.** Much effort has been placed on establishing new platforms for genuine citizen engagement relevant to a number of sector reforms. With regards to corporate targets, the portfolio improved from 50-62% in FY14 to 100% compliance in FY17. More importantly, quality, measured through the ECA citizen engagement quality index has improved from 1.9 in FY14 to 2.2 in FY17, and Kazakhstan has developed a number of highly relevant and transformational platforms for CE. Notable is the citizen engagement framework in the Health sector reform, and an innovative Municipal Services Benchmarking initiative recently launched in Shymkent to pilot the importance of service users providing comparative feedback on basic service delivery. As a part of the ECA roll out, a Citizen Engagement Country Roadmap was introduced in the PLR and will be developed further in the context of the upcoming CPS. For details, please revert to *Annex 3*.

51. **The WBG's initiative on climate change knowledge and information exchange in Central Asia helped create a platform for a continued dialogue in the region.** Initially, two Central Asia Regional Knowledge Conferences on Climate Change took place in 2013 and 2014 (with the third one organized in January 2018). The key objective of these conferences is to maintain regional dialogue, knowledge and information exchange on climate change adaptation, and explore opportunities for further joint actions among all international, regional and national stakeholders. At the second conference, policy-makers of the Central Asian countries expressed their interests and eagerness to have a joint initiative on climate change in Central Asia. Hence, in 2016, Climate Adaptation and Mitigation Program for Aral Sea Basin (CAMP4ASB, currently implemented in Tajikistan and Uzbekistan), entered in its effectiveness phase to support the countries of Central Asia to enhance regionally coordinated access to improved climate change knowledge services as well as to increased investments and capacity building that, combined will address climate challenges common to these countries.

V. KEY LESSONS LEARNED

52. **Due to the long-term engagement, the knowledge acquired, and the flexibility to adjust its support to the country, the WBG remains a valued partner in Kazakhstan.** Knowledge of the country, implementation of a large lending program and targeted analytical work allowed the Bank to effectively engage in the government's development agenda, provide guidance and opinion on the relevance and prioritization of the reform program. The JERP has been key in this exchange of knowledge with the authorities and growing trust in the WBG's advice, and expanding the JERP program in the future with carefully prioritized demand-driven tasks will further strengthen the policy dialogue. Developing monitoring and evaluation tools to track the effectiveness of the JERP by better capturing its results and lessons learned will support such efforts.

53. **Without addressing systemic issues related to delays in projects processing and effectiveness, impact and efficiency of the program cannot be substantially enhanced.** Without addressing systemic issues related to delays in preparation projects' processing and effectiveness, impact and efficiency of the program cannot be substantially enhanced. Lack of alignment of the government and WBG's processes and procedures persisted during the CPS period, and affected the implementation pace of individual projects and the program as a whole. Continued delays in loan signing and effectiveness led to delayed start, protracted implementation, slow loan disbursements, and frequent and lengthy extensions of closing dates. Some remedial actions envisaged were partly implemented, but more is needed in particular with respect to the needed legislative changes and Government's internal procedures for loan signing and ratification. Namely, the WBG team had analyzed the respective procedures and provided a proposal for changes in legislation, including government and parliamentary procedures, designed to reduce time required to process loans from IFIs. The Government has not endorsed the proposals, but agreed that substantive changes are to be introduced for the projects under the next CPF. The WBG should follow up and provide further support to this process, as needed, as well as to further procedures harmonization efforts. The use of the country systems was an important step already taken, and WBG already expressed its readiness to use the Government's e-tendering module for the WBG program-supported procurements (Shopping and NCB methods, concretely). In addition, the WBG can promote further some of the mechanisms that could advance availability of financing, such as. advance payment and retroactive financing.

54. **Selectivity and flexibility remained key in achieving results, and need to be further strengthened to advance the development agenda.** This is demonstrated by the strong results, and in delivering more than envisaged by the original CPS program, both in terms of lending and knowledge, including developing JERP into a fully-RAS program. Going forward, the WBG should seek to build yet further its agility for responding to the country's increasingly ambitious goals. To this end, it may need to look into 1) further diversifying the instruments to ensure engagement with key players in the economy, including the private sector and 2) building stronger partnerships with other IFIs and international partners to deepen the productive dialogue with the counterparts and leverage additional resources where needed.

55. **The DPO Program helped the Government in increasing its capacity and commitment to address vulnerabilities and mitigate the impact of an external shock.** The Program was designed to help Kazakhstan respond to the global financial crisis, and the WBG's trust in the Government's commitment and capacity translated into a signal to the international community that Kazakhstan could navigate safely through the challenging environment created by the drop in the price of oil. The cancellation of the second operation in the programmatic series of two DPLs did not hamper the continuation of the reform program, albeit with a slower pace.⁶ A stand-alone DPL operation can thus be more effective when the design of the

⁶ *The second operation in the programmatic DPL series did not materialize as initially expected by June 2016 and was cancelled by the World Bank in July 2017. The anti-crisis program implemented by the Government in 2014 and 2015, partly financed from external sources, led to an escalation of Kazakhstan's foreign debt burden. The depreciation of the tenge, as a result of its floating, also contributed to increasing the burden of foreign debt. Total debt rose from about 10 percent to 20 percent of GDP, while the share of foreign debt increased to 50 percent, posing risks owing to the floating of the exchange rate. These developments led the Government to rethink its debt policy, towards substituting domestic debt to foreign debt. The whole IBRD pipeline portfolio was impacted by this change, which eventually led to the cancellation of the second DPL.*

program is aligned with government priorities, ownership by the client is high, sufficient knowledge is available, and the short-term actions adequately address the main concerns. The political economy considerations should be taken into account at a program design stage as they may represent a difficult terrain for an international financial institution to navigate for the purpose of supporting implementation of meaningful reforms, as in the case of the Kazakhstan's banking sector.

56. **Government commitment, close collaboration with the private sector and other development partners, and “one WBG” approach, are important in helping the country’s reform and sector modernization agenda.** IFC’s continuous engagement with the Government and other development institutions, primarily EBRD and ADB, facilitated the development of the Almaty Ring Road PPP Project, which would also complement IBRD’s involvement in the Western China-Western Europe road corridor. The efforts were also supported through the analytical work done through JERP program. When the signing of the concession was experiencing delays, mostly due to concerns of increased cost following the dramatic depreciation of the tenge in 2015/6, IFC PPP Advisory and the other IFIs in their capacity as potential lenders, worked with the designated preferred bidder and the Government to reduce the cost of the project, minimize the FX risk to the government and further optimize the project structure. As a result, the Government available payments were reduced and the overall project cost was agreed between the Government and the bidder. Successful finalization of this PPP (the Concession Agreement was signed in February 2018) establishes a strong precedent demonstrating that private sector can participate in the implementation of infrastructure projects in the country, to be replicated in other parts of the economy and increase confidence for investors to participate in the Government’s privatization program. It also underlines the strong potential of IBRD and IFC when strategically joining forces in supporting transformational projects. This is the first infrastructure PPP of this type and magnitude in Kazakhstan and in Central Asia.

57. **While many of the lessons learned from the projects implemented during the CPS period were project specific, a few cross-cutting themes emerge and merit to be highlighted:**

- i. **Careful sequencing of project phases supports more effective implementation.** This is particularly the case in projects entailing extensive institutional capacity building components. Initial implementation phase should include robust trainings and knowledge-transfer efforts that strengthen capacity and ownership, followed with a phase of actual practical usage of the knowledge, allowing its transformation into day-to-day practice. These efforts considerably enhance implementation of the next phases of project activities and the project as a whole. Ideally at this phase the WBG should provide training to the key project counterparts in relevant procedures and processes that the WBG financed projects mandate.
- ii. **Building ownership on all levels of the institutions remains key for smooth implementation of complex projects, and in particular those tackling institutional reforms.** Commitment and leadership go beyond continuity of management and staff and the project that maintained the focus on reform had (a) continued understanding of project objectives and support, related decision making and management of the project; (b) clear understanding of how the project is helping in development of the institution, and supporting them in their work. The frequent changes of leadership, where ownership has not been embodied in the institution itself, are one of the main factors causing implementation delays, reform fatigue and loss of institutional memory.
- iii. And finally, **maintaining the results of the project and the overall longer-term sustainability cannot be overstated.** While this is primarily to be steered by the government, the WBG can help further this through continuous policy dialog, building the flexibility and scalability in the project designs and using more the tools available (eg. proactive restructuring). Where possible, piloting of the activities should be planned, as pilots can help in redesigning the scope of the projects’ interventions for optimal results

Annex 1: Kazakhstan - FY12–17 Country Partnership Strategy

Updated Results Matrix

Kazakhstan Development Strategy Outcomes supported by CPS	CPS Outcomes	Progress	Main Instruments
AREA OF ENGAGEMENT 1: IMPROVING COMPETITIVENESS AND FOSTERING JOB CREATION			
Strengthening fiscal discipline and trade openness/integration	(1) Prudent management of oil revenue maintained, with government net financial worth (as measured by difference between stock of National Fund of the Republic of Kazakhstan (NFRK) assets and sovereign debt) above its 2012 level of 20% of GDP by 2017.	<p>Achieved (based on revised baseline of 15.5% for 2012 government net financial worth).</p> <p>For most of the CPS period, the government net financial worth was maintained at levels above the one of 2012, at 17.8 on the average (2013: 17.4%, 2014: 18.6%, 2015: 12.5%, 2016: 25%). 2017 shows somewhat of a downward trend, and is currently projected at 15.3%.</p>	<p>JERP/RAS: Fiscal Policy for Growth; Improvement of Public Debt Management, including Mechanisms for Monitoring SOE Debt; Improvement of Competitiveness through Reduction of Trade Barriers; Enhancement of Fiscal Sustainability</p> <p>Lending: DPL</p> <p>Partners: International Monetary Fund (IMF), European Commission (EC), U.S. Agency for International Development (USAID)</p>
Expanding non-oil sector exports and employment	(2) Improved regulatory environment, as measured by Doing Business ranking (up from 46 in 2011 to 35 by 2017). (3) Technology Commercialization Office (TCO) established, awarding at least 10 small technology commercialization grants (pre-commercialization, joint research with industry, international patenting, industrial internship for scientists) and enabling at least 15 groups of scientists to perform high-quality research.	<p>Achieved Doing Business rating has continued to improve, up to 36 (DB2018). The most recent progress reflects important reforms in the areas of property registration, minority investors protection and contract enforcement.</p> <p>Achieved TCO merged with Science Fund and is expected to continue grant programs of Ministry of Education adapting TCO experience and involved in implementation of Fostering Productive Innovations Project by providing technical inputs. In addition, the Association of Technology Commercialization is established and fully functional, ensuring sustainability of project results. Technology Commercialization Project awarded 33 technology commercialization grants, and 77 partnerships were signed with various commercial companies.</p>	<p>JERP/RAS: Enhancement of Business Environment; Enhancing Productivity and Competitiveness through Enterprise Modernization Support Mechanisms; Corporate Financial Reporting; Improving Conditions for Doing Business to Increase Competitiveness and Facilitate Economic Diversification; Improved Policy for Competition Protection; Improvement of Competitiveness through Reduction of Trade Barriers; Services Sector Gap Analysis; Job Sector Specific Analysis of Barriers and Opportunities</p> <p>Lending: Technology Commercialization</p> <p>IFC: Real sector investments (manufacturing, agribusiness, and services)</p> <p>Partners: USAID, ADB, EBRD</p>

Kazakhstan Development Strategy Outcomes supported by CPS	CPS Outcomes	Progress	Main Instruments
	<p>(4) IFC invested in manufacturing (paper packaging, cement), agribusiness (food and beverages, agriculture commodities), and real estate.</p> <p>(5) IFC provided advisory services on corporate governance to Government and over 100 companies and conducted studies on tax transparency and regulatory reform.</p>	<p>Achieved IFC investments in manufacturing and agribusiness companies of Kazakhstan contributed to support about 2,400 direct jobs, half of which are jobs for women.</p> <p>Partially achieved IFC provided advisory services on Corporate Governance (CG) best practices, including improvements in their governance and control bodies, and contributed to the adoption of by-law/ToR/codes for their functioning and others, to 10 companies. Two of these companies, Humo&Partners and Eastcomtrans, reported an improved decision making and performance due to the adoption of CG practices, which played a significant role in the companies' access to financing in the amount of US\$ 115 million. At the regulatory level, IFC prepared scorecards for the adoption of Stock Exchange (KASE) and SZP (Partner).</p>	
<p>Reinvigorating financial sector</p>	<p>(6) Ratio of NPLs to total loans (32.6% in 2012) at least halved by 2017 and well provisioned.</p> <p>(7) IFC invested in financial institutions, including microfinance and universal banking, also provided trade guarantees. Sector portfolio serving 15,200 microfinance and 10,000 SME clients.</p> <p>(8) IFC providing advisory services to microfinance institution to improve its lending operations,</p>	<p>Partially achieved As of end June 2017, ratio of NPLs to total loans stood at 10.7%, and loan provisioning at 11.2%. However, this has resulted mostly from assumption by KazKommerzbank of BTA's NPLs. Some poor governance practices in the banking sector persisted, and thus the risks of NPLs ratio increasing remain.</p> <p>Achieved During the CPS period, IFC investments in financial institutions of Kazakhstan (Kaz MicroFinance, BCC, and Sberbank KZ) helped expand their financial services to more than 134,000 MSMEs.</p> <p>Achieved During the CPS period, IFC provided advisory services to Arnur Credit, contributing to its transformation into a commercially sustainable financial institution and expansion of outreach to</p>	<p>JERP/RAS: Improvement of insolvency system IFC: Financial sector investments; trade finance lines and credit lines for SMEs Partner: IMF</p>

Kazakhstan Development Strategy Outcomes supported by CPS	CPS Outcomes	Progress	Main Instruments
	serving more clients in rural area and thus supporting rural development.	rural areas. Arnur Credit has recently received its SMART certification and has doubled its loan portfolio from KZT 3.9 billion in 2016 to KZT 6.24 billion in 2017. This is equivalent to portfolio of loans of U\$ 19.5 million in 2017.	
Building skills for employment	(9) Share of technical vocational education programs revised in line with new (2013) competency standards by at least 20% by 2017—better equipping graduates with skills demanded in labor market.	Achieved A total of 147 and thus 70% of total programs (212) have been revised in 2016, as supported by TVEM Project. MOES continued with revising the programs, and as of June 2017, 91% of programs have been revised, and a plan in place to reach 100% target by 2019.	JERP/RAS: Education System Analysis toward Improving Quality; Post-Graduate Education Development Lending: Technical and Vocational Education Modernization; Youth Corps (Swiss Trust Fund); Education System Modernization Partners: EC, German Agency for International Cooperation (Deutsche Gesellschaft für Internationale Zusammenarbeit; GIZ)
Strengthening knowledge for sustained growth in agriculture	(10) New applied technologies in farming (for example, conservation agriculture, new methods of veterinary diseases testing) result in increased crop/fodder output, supporting 50% increase in meat production (0.84 million tons in 2010) by 2017. (11) IFC invested in agribusiness (food and beverages, agriculture commodities).	Not achieved The meat production reached 0.96 million tons at the end of 2016. There has been little progress in applying new technologies in farming, also due to the fact that the project that had intended to support the livestock sector did not materialize. However, the Bank delivered technical assistance (primarily through JERP) and supported a series of brainstorming events that contributed to improvements in delivery of respective government’s programs. Most notably, recommendations have been taken on board for improving the efficiency of the governments’ subsidies program, primarily in better targeting and elimination of subsidies that were found to be inefficient. Results of the JERP “Analysis of the effectiveness of current measures to support agriculture and develop possible alternative measures consistent with WTO rules” allowed government subsidy amount to stay safely within limits agreed under WTO rules. Achieved IFC provided long-term funding (in local currency and U\$S) to RG Brand food processing company, in order to improve its risk profile. In FY17, IFC investment helped RG brand to support	JERP/RAS: Strengthening Agricultural Strategy and Livestock Policy; Analysis of the effectiveness of Current Measures to Support Agriculture; Improvement of Approach to Agricultural Policy and Budget Formulation Lending: Irrigation and Drainage II IFC Investments (INV): Lending to agribusiness companies (food processing, food retail) IFC Advisory Service (AS): Food Safety Advisory, Resource Use Efficiency Partners: GIZ

Kazakhstan Development Strategy Outcomes supported by CPS	CPS Outcomes	Progress	Main Instruments
	<p>(12) IFC Food Safety Program focuses on (a) assisting one food company in implementing food safety practices; (b) stimulating development of local institutional capacity for promotion and implementation of suppliers' food safety standards; and (c) promoting sector-wide demand by raising awareness about agribusiness standards and developing client pipeline.</p> <p>(13) IFC providing advisory services on energy efficiency at two levels as explained in Area of Engagement 3, Outcome 13 (Raising Energy Efficiency).</p>	<p>over 2,000 direct jobs. As RG Brand grows its business internationally, it is also expected to support employment.</p> <p>Partially achieved Through the ECA Agri-standards regional project, IFC provided in-depth advisory services to Kazbeef- a food producers in Kazakhstan - to implement food safety management systems (good manufacturing practices, good hygiene practices, HACCP, and traceability). It is premature to report the adoption of these systems. The project also provided advise to improve food safety practices of a retailer - Metro - and a helped to build the capacity of eight suppliers of processed food in partnership with this retailer.</p> <p>Achieved Through the regional project ECA Energy & Water, IFC provided advisory services on energy and resource efficiency to RG brand- a food processing company recipient of IFC investments. In FY17 RG brand adopted IFC recommendations to improve water and energy efficiency, saving 13,572 cubic meters of water and 539 Mwh of energy.</p>	
Improving energy transmission to poor areas	(14) Kazakhstan Electricity Grid Operating Company's (KEGOC) transmission capacity increased by 5% between 2012 (34,000 MVA) and 2017 to alleviate existing and projected power shortages in South and East Kazakhstan.	Achieved As of end-2016 (KEGOC Annual Report 2016), KEGOC power transmission capacity was 36,663 MVA.	Lending: Moinak Electricity Transmission; Alma Electricity Transmission; North-South Electricity Transmission Partners: EBRD, USAID
Building transport connectivity and lowering costs	(15) Increased transport efficiency through reduction in road-user costs and rate of road crash fatalities along 1,062 km section of Western Europe-Western China (WE-WC) Road Corridor by at least 10% by 2017 (in 2007: road users' cost was US\$0.26 per	Achieved As of end-June 2017, the government data indicate 9.5 crash fatalities /100 million vehicle-km in Southern Kazakhstan and Kyzylorda regions and road-user costs of US\$0.24 per vehicle-km, thus a reduction of 14% and 8%, respectively.	JERP/RAS: Rail Trade Logistics Study Lending: South-West Roads and East-West Roads IFC INV: Private infrastructure projects IFC AS: PPP Transaction Advisory Project Partners: ADB, EBRD

Kazakhstan Development Strategy Outcomes supported by CPS	CPS Outcomes	Progress	Main Instruments
	<p>vehicle-km and road crash fatalities were 11/100 million vehicle-km).</p> <p>(16) IFC invested in a rail leasing company.</p> <p>(17) IFC advises Government on structure and implementation of international tender for Big Almaty Ring Road (BAKAD).</p>	<p>Achieved IFC equity investments (US\$ 21 million committed) in Eastcomtrans, a private railcar leasing company in Kazakhstan, helped to fund the company’s expansion program (totaling US\$ 120 million), as well as to renew and diversify its existing fleet, enhancing the company’s sustainability. Despite the significant local currency devaluation between 2015 and 2016, Eastcomtrans grew its sales from US\$ 66.5 million in FY 2012 to US\$ 73.26 in FY 2017. The company also paid US\$ 7 million of taxes to the government and supported 174 jobs (81 of which for women).</p> <p>Achieved IFC provided advisory services to the Ministry of Transport to structure a PPP transaction for the concession of the Almaty Ring Road, and supported the tender process. The signing of the concession agreement had been delayed due to protracted negotiations between the Government and the preferred bidder. However, IFC facilitated the revamped negotiation in FY17. If the concession materializes, nearly US\$ 800 million of private investment will be mobilized.</p>	
AREA OF ENGAGEMENT 2: STRENGTHENING GOVERNANCE AND IMPROVING EFFICIENCY IN PUBLIC SERVICE DELIVERY			
Improving governance	(18) Physical inspections of import declarations by customs reduced from 70% in 2007 to 20% by 2017; and average customs processing time at border posts (24 hours in 2010) reduced by 75% by 2017 as evidenced from client surveys.	<p>Achieved Physical inspections down to 4.9% by 2017, compared to 70% in 2007; and average customs processing time at border posts down to 7 hours by 2017, thus reduced by 71% compared to 24 hours in 2010, based on client surveys.</p>	<p>JERP/RAS: Civil Service Reform; Improvement of Financial Monitoring System (Anti-money Laundering and Combating Financing of Terrorists [AML/CTF]); Revenue Code Development, Technical Assistance in Selected Tax Areas Lending: Customs Development; Tax Administration Reform Partners: EC, UNDP, USAID, GIZ</p>

Kazakhstan Development Strategy Outcomes supported by CPS	CPS Outcomes	Progress	Main Instruments
<p>Strengthening budget and accounting institutions</p>	<p>(19) Increase in e-procurement transactions (25,000 in 2012) by 20% by 2017, and efficiency of e-procurement system enhanced by introduction by 2014 of electronic reverse auction system.</p> <p>(20) Quality and efficiency of public spending improved through introduction of targeted reviews of selected areas on rolling basis, with at least four reviews completed during 2013–16.</p> <p>(21) International standard user satisfaction survey on quality and</p>	<p>Partially achieved In 2016, a total of 123,310 open bidding transactions were undertaken via a newly developed e-Procurement system, substantially exceeding the CPF target of 20% increase. This system replaced the old, slow and expensive system that was difficult to use and manage. As of January 2015, the electronic e-Reverse as well as e-Tendering modules have been fully functional and their use is obligatory for all government agencies. The e-reverse auction module includes the following functionality: registration, announcements/advertisements, publishing of procurement plans, publications of tenders, submission of bids, clarification process, bid opening ceremony, evaluation, publication of contact award information, contracts are signed and managed electronically. The e-Reverse Auction module of the e-Procurement system can be used for procurement of simple goods (shopping) under the WB-financed projects. The assessment of the system conducted by the World Bank in 2016 concluded both e-Tendering and e-Reverse Auction to be compliant for Shopping and National Competitive Bidding (NCB) for procurement of goods and are consistent with World Bank procurement guidelines. Nevertheless, a high number of single-sourced procurements in SOEs remains an issue.</p> <p>Partially achieved While no public expenditure reviews have been done in the given period, numerous ASA that looked into a wide range of topics that affect public expenditures have been completed and lead to changes in the government policies that contributed to the quality of public spending. All of the data and analysis were synthesized in the upcoming PFR (finalized and published in December 2017).</p> <p>Achieved User satisfaction with quality and reliability of statistical data has been steadily improving and maintained at very high levels</p>	<p>JERP/RAS: Improved Approach to Results-Oriented Budgeting; Improvement in Intergovernmental Fiscal Relations; Development of e-Procurement System; Expenditure Efficiency Reviews; Strengthening Public Sector Internal Audit</p> <p>Lending: Statistical Capacity Building; Capacity Building for Public Sector Accounting Reform</p> <p>Institutional Development Fund (IDF) Grants: Public Sector Audit Capacity Building; Building Capacity in Procurement Audit Agency</p> <p>Partners: EC, UNDP, USAID, GIZ</p>

Kazakhstan Development Strategy Outcomes supported by CPS	CPS Outcomes	Progress	Main Instruments
	reliability of statistical data introduced in 2012 with 80% satisfaction rates by 2017.	over last few years. The last (2016) survey indicates 94.4% satisfaction rate.	
Reforming social protection system	(22) Conditional cash transfers piloted in at least two regions.	Achieved Conditional cash transfers were piloted in three regions during 2014-2017 period, starting initially in 49 districts in 2014 and covering 182 districts in 2016. As of June 1, 2017, all regions are involved except Karaganda Oblast.	JERP/RAS: Improvement of Social Safety Net System; Strengthening Pension System; Social Policy for Growth: Modernization of the Social Sphere
Sharpening strategic approach to health reforms	(23) By 2016, 10% reduction in population's out-of-pocket health expenditures as share of total health expenditures (32.9% in 2010).	Not achieved The share of out-of-pocket expenditures on health in the total health expenditures exhibited a steadily increasing trend over the CPS period, increasing up to 45% and then coming down to at 35.3% at end 2016. This is due to the country's worsening economic situation amidst two global economic crises (2007-2010 and 2015-2016). Given this situation, the GoK decided to introduce a national mandatory social health insurance as a way to ensure a broad consolidation of funds reflecting the principle of "shared responsibility for health". The program is, though, scheduled to start only in 2020.	Lending: Health Sector Technology Transfer and Institutional Reform; Social Insurance Partners: World Health Organization (WHO), USAID, United Nations Children's Fund (UNICEF), EC
AREA OF ENGAGEMENT 3: ENSURING DEVELOPMENT IS ENVIRONMENTALLY SUSTAINABLE			
Safeguarding the environment	(24) Remediation of the high-priority industrial waste dumps polluting the air and groundwater in Ust-Kamenogorsk and establishment of groundwater monitoring system. (25) Reforestation of 44,000 ha completed; and damage from forest fire in Irtysh Pine Forest reduced by 50% by 2017 (9 ha per case of fire on average during 2009–11).	Achieved Remediation of five industrial waste dump polluting the air and groundwater completed, with 26 ha of highly contaminated land managed, including the PCB contaminated site; groundwater quality monitoring system established; and levels of heavy metal pollution in the groundwater near the city drinking water well-field below international limits. Achieved Reforestation of 46,000 ha completed and fire damage in Irtysh Pine Forest reduced by 70%; 61,000 ha of the dry Aral seabed covered with vegetation; 650,000 ha of forest under improved fire management.	JERP/RAS: (a) Improving Industrial Competitiveness through Greener Production; (b) Towards Cleaner Industry and Improved Air Quality Monitoring in Kazakhstan; (c) Towards a Strategy for Industrial Hazardous Waste Management in Kazakhstan; (d) Legal, Institutional, Financial Arrangements and Practices of the Solid Waste Management Sector in Kazakhstan; and (e) Review and Analysis of Norms and Standards Applicable to Industrial Hazardous Wastes in Kazakhstan; (f) Implementation Support for Modernizing and Strengthening Efficiency of Irrigation; A Road Map for Strengthening Water Management for Improved Water Efficiency and Security

Kazakhstan Development Strategy Outcomes supported by CPS	CPS Outcomes	Progress	Main Instruments
	(26) Water supply systems rehabilitated in 113,000 ha covering four southern <i>oblasts</i> , bringing water distribution by service providers to levels demanded by farmers.	<p>Not achieved</p> <p>The Second Irrigation and Drainage Project has experience substantial delays, mostly due to the delay in effectiveness. While tendering has proceeded for four larger schemes comprising 40% of the whole targeted areas, the works are only to start and the results will be achieved at later stage.</p>	<p>Lending: Forest Protection and Reforestation; Ust-Kamenogorsk Environmental Remediation; Second Irrigation and Drainage Project</p> <p>Global Environment Facility (GEF): Forest Protection and Reforestation; Persistent Organic Pollutants Management</p> <p>PMR TA: Tranche I: Identifying Barriers in Emissions Trading Scheme of Kazakhstan and Development of Appropriate Recommendations on How to Address and Mitigate them; (b) Adaptation of Benchmarks for Allowances Allocation for Specific Sectors in Kazakhstan; and (c) Development of Policy Options for Mid- and Long-term Emissions Pathways and Role of Carbon Pricing (iNDC support)</p> <p>PMR TA: Tranche II: (a) Stakeholder Consultation Process on Developed Benchmarks; (b) Development of E-Reporting and Supporting Institutional and Legal Frameworks; and (c) Support to Enhancement of Transaction Registry</p> <p>Partners: EC, GIZ, UNDP, GEF, PMR</p>
Raising energy efficiency	(27) Cumulative energy savings in targeted public facilities will increase from 0 to 825 GWh by 2017.	<p>Partially achieved</p> <p>The Energy Efficiency Projects has been delayed due to, among others, delay in effectiveness. The remediation works on the first set of projects are ongoing, with the first 19 projects (out of total targeted 75) already substantially or fully completed, while the tendering and contracting is proceeding on the subsequent batches. The achievements with respect to the target are thus modest, with savings of 13.9KWh. However, it is worth noting that the savings recorded in the first set of bills for the completed objects are about 40% for energy consumption, and are expected to increase further once heating costs are also taken into account.</p>	<p>JERP/RAS: Development of renewable energy market in Kazakhstan, including through support to SMEs</p> <p>Lending: Energy Efficiency (Swiss Trust Fund)</p> <p>IFC AS: Resource Use Efficiency</p> <p>Partners: EBRD</p>

Kazakhstan Development Strategy Outcomes supported by CPS	CPS Outcomes	Progress	Main Instruments
	<p>(28) IFC providing advisory services on renewable energy and energy efficiency at two levels: (a) policy level, to open up new markets by removing legal and regulatory barriers to private investments and (b) company level, to provide targeted assistance to first-mover private sector and utility efficiency projects.</p>	<p>Achieved Through the Central Asia and Caucasus Energy Infrastructure regional project, IFC helped address legal and regulatory barriers to private investments in renewable energy. The project contributed with the drafting and adoption of the Green Economy Law, as well as recommended changes to secondary regulations to make the new law effective, and to adopt a mechanism for indexing fed-in tariffs to foreign exchange rate fluctuations. In 2017, IFC initiated negotiations for company level advisory engagements with Promondis (a developer of a 35 MW solar project) and Energomost (a developer of HPP projects). IFC recommendations to RG Brand to improve water and energy efficiency contributed to water and energy savings (noted above) and leading to 236 metric tons of GHG emissions that were avoided.</p>	

Annex 2: Planned Lending and Actual Deliveries, FY12-17

CPS PLANS (at entry 03/30/12) ⁷			STATUS (as of 06/30/16)	
2012	East-West Roads	1,200.0	Approved 05/01/12	1,068.0
	Energy Efficiency (Swiss Trust Fund)	20.0	Forwarded to FY13	0.0
	Youth Corps (Swiss Trust Fund)	20.0	Forwarded to FY14	0.0
	Hazardous and POPs Waste Management	34.0	Forwarded to FY18	0.0
	Subtotal:	1,274.0	Subtotal:	1,068.0
2013	Energy Efficiency (Swiss Trust Fund)	0.0	Approved 05/22/13	21.8
	2nd Irrigation and Drainage Improvement	105.0	Approved 06/27/13	102.9
	Syr Darya Control and North Aral (Phase II)	106.0	Forwarded to FY beyond CPS	0.0
	Subtotal:	211.0	Subtotal:	124.7
CPS PLANS, FY14-17 (as revised in PLR) ⁸			STATUS (as of 06/30/17)	
2014	Youth Corps (Swiss Trust Fund)	0.0	Approved 03/26/14	21.8
	Electricity Transmission	0.0	Dropped	0.0
	Justice Sector Institutional Strengthening	36.0	Approved 03/19/14	36.0
	Public Sector Accounting Reform	0.2	Approved 06/12/14	0.2
	Subtotal:	36.2	Subtotal:	58.0
2015	Fostering Productive Innovation	88.0	Approved 12/22/14	88.0
	SME Competitiveness	40.0	Approved 03/02/15	40.0
	Skills and Jobs	100.0	Approved 03/30/15	100.0
	Subtotal:	228.0	Subtotal:	228.0
2016	Macroeconomic Management and Competitiveness DPL	1,000.0	Approved 11/03/15	1,000.0
	Social Health Insurance	80.0	Approved 04/27/16	80.0
	Center-West Regional Development Corridor	978.0	Approved 06/09/16 but cancelled after approval.	0.0
	Subtotal:	2,058.0	Subtotal:	1,080.0
2017⁹	Education System Modernization	80.0	Approved 11/03/15	80.0
	Climate Change and Mitigation	10.0	Dropped	0.0
	Center-South Regional Development Corridor	645.0	Dropped	0.0
	Subtotal:	735.0	Subtotal:	67.0
	Total FY14-17:	4,331.2	Total FY14-17:	2,625.7

⁷ See Report No. 67876-KZ, March 30, 2012, Table 2 (page 19) - plans for FY12-13.

⁸ See Report No. 108396-KZ, September 26, 2016, Annex 5 (page 33) - plans for FY14-17

Annex 3: CITIZEN ENGAGEMENT

1. The context for effective CE in Kazakhstan is still emerging. Kazakhstan lags behind its comparators and the ECA average on all major voice and accountability indicators. Political openness, independent media, and civil society remain stunted in Kazakhstan. Kazakhstan has been continuously rated as ‘Not Free’ in the Freedom House, ‘Freedom in the World,’ 2017 Report which rates countries on political rights and civil liberties.¹⁰ Kazakhstan’s percentile rank on WGI’s Voice and Accountability indicator remained low over the past decade with only slight improvement in recent years, but still significantly lower than the ECA average (17 compared to 66 in 2016). There are some 30,000 officially registered NGOs in Kazakhstan, but only a fraction of these are operational and effective. Unlike some other Central Asian neighbours, does allow western-funded NGOs mostly focused on social projects and technical reform to operate in the country. Consistent with this, actions to mainstream some CE practices according to Bank corporate requirements have improved, especially in investment projects.

2. The GOK is in the process of establishing a more enabling legislative framework for transparency and accountability through the implementation of the 100 steps agenda. Significant progress has been made in the areas of e-government and access to information. Three laws passed in 2015 on "Access to Information", "Public Councils" and "Combating Corruption" have the potential to bring about reform, but are not yet defined or implemented in a way that embodies genuine open government. Guidelines to promote social accountability and meaningful citizen engagement are yet to be established. Moreover, the government’s stated commitment to transparency, openness and consultation stands in contrast to the severe restrictions on rights to public assembly.¹¹

3. **Country Portfolio.** In FY16, CE was ramped up both in terms of compliance and intensity in projects moving towards appraisal (Table 1).

Table 1. Compliance with corporate requirements for citizen engagement at appraisal

	% compliance Beneficiary feedback indicator	% compliance Citizen-oriented design
Pre-FY14 (6 projects)	50%	62%
FY14 (1 project)	100%	100%
FY15 (3 projects)	75%	100%
FY16 (2 projects)	100%	100%
FY17 (1 project)	100%	100%
Number of projects in portfolio currently compliant/not compliant (incl. pre-FY14)	9 compliant/ 4 not compliant	11 compliant/ 2 not compliant

4. All projects approved FY16-17 were compliant for both indicators – up from 50-62 percent in FY14. There has also been significant improvement in the types of engagement integrated into IPF project design. This is reflected in the improvement in the ECA Quality index (from 1.9 to 2.2) which measures quality according to four criteria (depth of engagement, frequency, multiple channels for feedback as well as the scope for reporting on any issue of the citizen’s choosing). As part of the ECA roll out, a CE Country

¹⁰ 2017 Freedom in the World – Freedom House https://freedomhouse.org/sites/default/files/FH_FIW_2017_Report_Final.pdf

¹¹ The Law on Public Assembly requires protesters to seek permission from the government ten days in advance for any public gatherings if there are more than 20 participants. According to BTI experts, permission for opposition rallies is often refused, and, if granted, they are only allowed to take place in remote locations outside of the city center (BTI).

Roadmap was introduced in the PLR and several projects processed in FY16 have included substantive CE platforms:

- Municipal Service Benchmarking. In September 2017, a participatory municipal services benchmarking initiative to collect citizen feedback and guide municipal investment decisions was launched in the municipality of Shymkent. The NGO implementing partner has recently been recruited and operational activities are expected to begin in early December. The purpose of this initiative will be to: (i) create a platform for citizens to voice their opinions and suggestions regarding priority municipal services; and (ii) allow municipal officials, service providers and municipal financing facilities to be well-informed about citizen priorities and views. The MSB will use an adapted Citizen Report Card (CRC) methodology, which will establish baseline and benchmarking indicators; gather reliable information about coverage and quality of services; detect inequities in service accessibility and quality among different population groups; and, identify and prompt action for improvement. During the CRC process, a survey will be conducted to assess and compare citizen satisfaction across different priority services. Actions to address identified problems and weaknesses will be planned and monitored. Following the 8-month pilot initiative in Shymkent, lessons will be documented and the CRC methodology fine-tuned before expanding it to other municipalities.
- Social Health Insurance Project. Given the importance of the social health insurance reform, the GOK recognized the importance of a structured CE strategy to underpin the change processes. A comprehensive CE framework has been developed, which embodies and is linked to improved communications and knowledge flows. The SHIP CE activities operate at three levels: (i) a feedback and complaints handling mechanism to address (both positive and negative) suggestions and complaints from beneficiaries and stakeholders; (ii) an informed community monitoring and dialogue mechanism (based on an adapted Community Scorecard methodology) to provide qualitative and quantitative feedback, and engage providers in responsive actions; and (iii) an annual national multi-stakeholder review forum to present updated information to interested stakeholders and to provide feedback to the Ministry of Health. Efforts to put the CE framework in place are well underway and have prioritized the development of a detailed operations manual, as well as staffing in the PIU. Training for PIU staff on the Theory and Practice of CE and the Community Scorecard methodology was conducted in October 2017. Ongoing support and capacity building is being provided to ensure that genuine processes are established.
- Skills and Jobs Project. To date, the Ministry of Labor and Social Protection and the PMU have hired a firm to develop and implement a Feedback and Resolution Mechanism (FRM) for the duration of the Project (until 2020). The purpose of the FRM is to obtain feedback from the beneficiaries and project stakeholders on the project implementation, to create a transparent and accountable mechanisms to address project-related feedback/grievances, and to promote public confidence in respect of the Project. The following results are expected: (i) development of the FRM procedures and delivery of training to PMU specialists, EC (EU) staff, and rural akimats; (ii) development of information and communication materials on FRM procedures for mass media channels; and (iii) feedback collection from project beneficiaries through multiple feedback channels.

5. Despite the recent achievements on citizen engagement in Kazakhstan, especially in service delivery, there is much to be done. Effort to develop objectives and priorities linked to the CPS will be developed in the context of an updated citizen engagement country roadmap.